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CHAPTER VI. CONCLUSION.

From the preceding pages it will be seen that the statistics of commonwealth finance leave very much to be desired. The forty-six reports differ of course very materially in bulk, in contents, in methods, and in value. Most of them contain more or less useful figures with exceedingly scanty remarks or suggestions. The older states like Massachusetts, New York, Pennsylvania, New Jersey and some of the western commonwealths form in this respect striking and favorable exceptions. Only a very few officials are optimistic. The Kansas auditor says: "In a general way our system operates admirably." The New Hampshire auditor (whose report occupies just one page) says: "We find nothing to criticise and everything to commend." In almost all the other cases, however, we find continual complaints as to the revenue system. But in not one of the reports do we find a comprehensive review of the financial condition from the standpoint of modern finance; in not one of the reports do we see an attempt made to present the statistics in a thoroughly scientific manner, so as to facilitate comparison of the different commonwealths.

Let us sum up our criticisms as follows:—

1. As long as the commonwealths persist in maintaining the artificial system of funds a separation should be made between the state funds, the trust funds, the sinking funds, and the trust deposits. The temporary and the permanent funds should not be jumbled together to the utter confusion of the student.

2. In the statements of each fund the report should follow the good example of Nevada in dividing the receipts (and expenses) into "cash receipts" and "receipts by transfer." This would prevent the absurd system of counting large sums several times over, thus inordinately swelling the actual figures, and presenting unintentionally untrue results.

3. The figures of receipts and expenditures should be given not only in the fund statements, but also in a general summary, according to method 2. This would obviate the necessity of making a laborious computation from each fund statement.

4. Care should be taken to separate the accounts of the commonwealth treasury acting for itself, from its accounts when acting merely as a medium of transferring funds from the tax-payers to minor divisions. All reports should follow the good example of New Hampshire in separating receipts and disbursements accounts (gross) from revenue and expense accounts (net). This particular nomenclature of course need not be followed.

5. The net receipts as ascertained by methods 2 and 4 should be further classified into ordinary receipts with appropriate headings as given in Table III, and extraordinary receipts. A similar plan should be pursued with the expenditures where the classification at present is either lamentably inadequate or utterly absent.

6. In the matter of detailed receipts it is greatly to be desired, in order to obtain a real basis for comparison, that a uniform method be observed, as *e. g.* the one followed in this essay. Thus the "general tax" heading should contain only the proceeds of the property tax. The poll tax should be separately given. The licenses should include all license taxes, even if called fees, and there should be a separate heading for liquor licenses. The fees should include only the judicial, and ordinary administrative fees, and there should be a separate heading for insurance fees which in many cases are included with insurance taxes. There should also be a separate heading for the charter fees, otherwise called tax on incorporation of corporations. The receipts from corporation taxes should be classified for each important class of corporations, and when these taxes form a portion of the license or privilege taxes they should be separately stated. The miscellaneous receipts should be classified wherever possible under general headings.

7. In the matter of assessment of the property tax a distinction should be made between real and personal property; and further subdivisions should be carefully given. In the real estate schedule the value of the land should be separated from that of the improvements, the value of city and town property from that of rural property. In the schedule of personal property the various classes of tangible property should be separated from the intangible property. Where corporations, and especially railroads, are taxed on their property, there should be a separate schedule for this class.

8. In the statement of the debt a distinction should be made between funded and unfunded debt. Not only the gross debt, but the amount in the sinking fund should be given. There should be a separate schedule for the proportion and details of the debt held by the commonwealth trust funds; and finally there should be a statement of the assets of the commonwealth other than its own obligations held by the trust funds. This alone would give the net debt.

9. Every commonwealth should insist on full statistics of local finance to be returned according to a method analogous to that observed for commonwealth finance. A comparison between state and local statistics would then be possible.

It will be noticed that if these suggestions are followed we would have for the first time a set of statistics which would be of real value, and from which definite conclusions could be drawn. The reports of the auditors, which now frequently fill bulky volumes with utterly valueless details of warrants paid, would be reduced to one-tenth their size, but immensely enhanced in usefulness. It is greatly to be deplored that, while the reports of railroad statistics and of labor statistics are now gradually approaching uniformity through conventions of commonwealth officials, the reports of finance statistics present the widest possible divergence. And yet the national importance of the latter is certainly not less than that of the others. The officers of the eleventh

census of the United States have a great opportunity before them. Nothing is more pressing than an exact and comparative tabulation of commonwealth finance. If they will give us a complete presentation of all the facts, according to a uniform scientific method, and if they will avoid the dangers pointed out in these pages, they will accomplish in part what has been done in other domains by the united action of commonwealth officials. Let the report of the eleventh census recommend a consistent method of keeping financial accounts. Let it prove by its own figures that the method is a valuable one. Let it show, finally, that the new classification is capable of leading to important conclusions. There is reason to hope that the commonwealth reports will be led thereby to seek a greater uniformity and a greater precision. And we may even be rash enough to expect that ultimately their many incongruities and absurdities will wholly disappear. It is a consummation devoutly to be wished.

ERRATA.

Page 413, 8 lines from bottom, read Washington for Wyoming.

Page 408, 4 lines from top, read 21 for 19.

Page 408, 7 lines from top, add Utah and Wyoming.